

BURLINGTON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2007

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Burlington Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Forrest Krummel	President (Resigned)	2007
Melanie Richardson	President	2008
Joseph Poisel	Board Member	2006
Linda Garwood	Board Member	2006
Donald Harter	Board Member	2006
Tracy Ekman	Board Member	2007
Tom Greene	Board Member	2008
Scott Smith	Board Member (Appointed)	2006
Board of Education (After September 2006 Election)		
Tom Greene	President	2008
Linda Garwood	Vice-President	2009
Tracy Ekman	Board Member	2007
Scott Smith	Board Member	2007
Melanie Richardson	Board Member	2008
Donald Harter	Board Member	2009
Dennis Kuster	Board Member	2009
School Officials		
Mike Book	Superintendent	2007
Chris Van Meter	District Secretary/Treasurer and Business Manager	2007
Sue Sietz	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Burlington Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Burlington Community School District, Burlington, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Burlington Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 2008 on our consideration of the Burlington Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 15 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Burlington Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for three years ended June 30, 2006 (which none are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2008

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2007

As management of the Burlington Community School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- On May 23, 2005, Horace Mann Middle School experienced a devastating fire. The district received insurance payments in the amount of \$1,336,719 for services and property replacement related to the fire during fiscal year 2007.
- The District's total net assets of governmental activities increased \$3,794,366. This is primarily due to the increase in net capital assets during the year and the insurance proceeds from the Horace Mann fire.
- General revenues accounted for \$38.5 million of the government-wide revenue, or 84.70% percent of all fiscal year 2007 revenues. Program specific revenues in the form of charges for services and grants, and contributions accounted for \$7.0 million or 15.30% percent of total fiscal year 2007 revenues.
- The District had approximately \$41.7 million in expenses related to governmental activities; of which \$7.0 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$38.5 million provided for the remaining costs of these programs.
- The General Fund had \$37.2 million in fiscal year 2007 revenues, which primarily consisted of state aid and property taxes, and \$37.1 million in expenditures. The General Fund's fund balance increased from \$4.5 million as of June 30, 2006 to \$4.7 million as of June 30, 2007 mainly due to increased interest and tuition revenues.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 12.7% to 12.5%. The State School Budget Review Committee recommends a solvency ratio of 5% - 10%.
- The District issued \$10,000,000 in revenue bonds (due April 2009). The District's total bonded debt increased by \$8,258,043 during the current fiscal year, due mainly to a new issuance of sales tax revenue bonds. The total outstanding at the end of the fiscal year is \$13,858,032.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2007

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, operation of non-instructional services, and capital construction. The business-type activities of the District include food services, childcare services, home remodeling, automotive, and a wellness center.

The government-wide financial statements can be found on pages 16 to 17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2007

comparison between governmental funds and governmental activities. These reconciliations are on pages 19 and 21, respectively.

The District maintains twelve individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Capital Projects, both of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 18 and 20 of this report.

Proprietary funds. Proprietary funds are used to account for activities that are the same as private business activities. Proprietary funds are reported in the same manner as the government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District has one enterprise fund: School Nutrition. The District's internal service funds (one type of proprietary fund) are the same as its governmental activities but provide more detail and additional information, such as cash flows. The District has one internal service fund: Self-funded Insurance. The basic proprietary fund financial statements can be found on pages 22 to 24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 to 34 of this report.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2007

<u>Major Features of the Government-Wide and Fund Financial Statements</u>			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as instruction, administration, and building maintenance	Activities the District operates similar to private businesses such as school nutrition and childcare
Required financial statements	Statement of Net Assets	Balance Sheet	Statement of Net Assets
	Statement of Activities	Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Revenue, Expenses, and Changes in Fund Net Assets Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or within specified periods after year end of the year; expenditures when goods or services are received and liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2007

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided as required supplementary information. The required supplementary information can be found on page 35 to 36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$45.9 million as of June 30, 2007.

A large portion of the District's net assets (89.22%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government-wide statements also include \$18.0 million in long-term liabilities (see Note 5 on page 33); including revenue bonds, QZAB bonds, revenue bans, early retirement and compensated absences.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2007

The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007 (in thousands).

	Government Activities		Business - Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Current assets	\$ 27,862	39,471	98	75	27,960	39,546
Capital assets, net	39,397	40,975	102	138	39,499	41,113
Total assets	67,259	80,446	200	213	67,459	80,659
Current liabilities	16,235	16,476	67	59	16,302	16,535
Long-term liabilities	8,894	18,045	—	—	8,894	18,045
Total liabilities	25,129	34,521	67	59	25,196	34,580
Net assets:						
Invested in capital assets, net of related debt	39,097	35,348	102	138	39,199	35,486
Restricted	739	9,132	—	—	739	9,132
Unrestricted	2,294	1,445	31	16	2,325	1,461
Total net assets	\$ 42,130	45,925	133	154	42,263	46,079

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

The additions (net of deletions) of \$1,578,165 in capital assets through capital construction, other school improvements, and purchases of furniture, equipment and vehicles were capitalized during the year.

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$47.1 million. The total cost of all programs and services was \$43.3 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007 (in thousands).

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2007

	Government Activities		Business- Type Activities		Total	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenues:						
Charges for services	\$ 1,340	1,424	571	558	1,911	1,982
Operating grants and contributions	5,039	5,528	949	1,028	5,988	6,556
Capital grants and contributions	3	10	—	—	3	10
General revenues:						
Property taxes	12,161	12,224	—	—	12,161	12,224
Sales tax, capital projects	3,750	4,130	—	—	3,750	4,130
Unrestricted investment earnings	523	631	—	—	523	631
Unrestricted state grants	18,894	19,969	—	—	18,894	19,969
Other	1,104	1,585	2	3	1,106	1,588
Total revenues	42,814	45,501	1,522	1,589	44,336	47,090
Expenses:						
Instructional	26,690	27,839	—	—	26,690	27,839
Support services:						
Student services	1,067	1,260	—	—	1,067	1,260
Instructional staff services	971	989	—	—	971	989
Administration services	3,689	4,308	36	25	3,725	4,333
Operation and maintenance of plant services	3,553	2,845	7	9	3,560	2,854
Transportation services	867	943	—	—	867	943
Central support services	—	—	—	—	—	—
Non-instructional programs	151	134	1,478	1,534	1,629	1,668
Other expenditures:						
Facilities acquisitions	2,569	813	—	—	2,569	813
Long-term debt interest	277	199	—	—	277	199
AEA flowthrough	1,384	1,482	—	—	1,384	1,482
Depreciation(unallocated)	894	894	—	—	894	894
Total expenses	42,112	41,706	1,521	1,568	43,633	43,274
Excess before transfers	702	3,795	1	21	703	3,816
Transfers	—	—	—	—	—	—
Change in net assets	702	3,795	1	21	703	3,816
Beginning net assets	41,428	42,130	132	133	41,560	42,263
Ending net assets	\$ 42,130	45,925	133	154	42,263	46,079

Governmental Activities

Unrestricted state grants, property taxes, and sales tax are the primary sources of revenue for the District. Sales tax revenue was \$380,207 more than the estimate established by the District. Revenues and expenditures were on target with projections with adjustments per known changes during in the year.

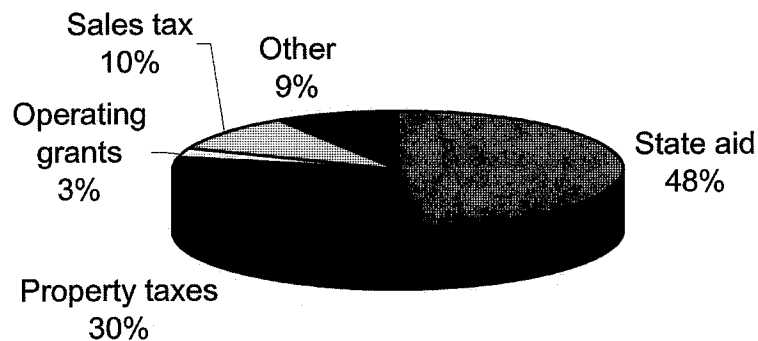
BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

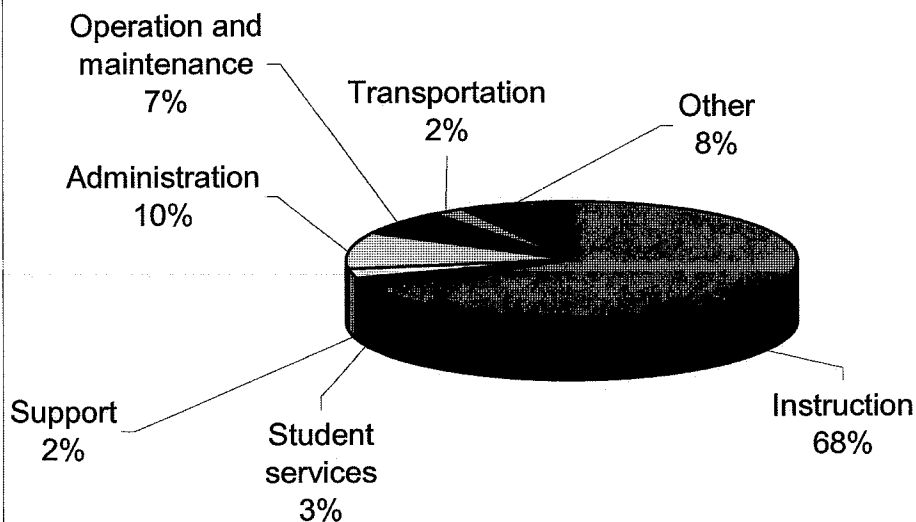
June 30, 2007

Instruction constitutes the largest portion of expenditures at \$27.8 million or 68%. The District offers a wide array of programs including general education, special education, vocational and college preparatory classes. The purely administrative activities of the District accounted for 10% of total costs. Over 80% of the District's expenditures are salaries and benefits.

Revenue - Governmental Activities



Expenses - Governmental Activities



BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2007

The following table presents the cost of the District's functional activities (in thousands). The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	Total Expenses		%	Net (Expense) Revenue		%
	2006	2007	Change	2006	2007	Change
Instructional	\$ 26,690	27,839	4.30%	(21,855)	(22,466)	2.80%
Support services:						
Student services	1,067	1,260	18.09%	(1,067)	(1,260)	18.09%
Instructional staff services	971	989	1.85%	(971)	(989)	1.85%
Administration services	3,689	4,308	16.78%	(3,687)	(4,306)	16.79%
Operation and maintenance	3,553	2,845	-19.93%	(3,553)	(2,845)	-19.93%
Transportation services	867	943	8.77%	(827)	(898)	8.59%
Non-instructional programs	151	134	-11.26%	(34)	(85)	150.00%
Other expenditures:						
Facilities acquisitions	2,569	813	-68.35%	(2,566)	(803)	-68.71%
Long-term debt interest	277	199	-28.16%	(277)	(199)	-28.16%
AEA flowthrough	1,384	1,482	7.08%	—	—	—
Depreciation(unallocated)	894	894	0.00%	(894)	(894)	0.00%
Total expenses	\$ 42,112	41,706	-0.96%	(35,731)	(34,745)	-2.76%

- The cost of all governmental activities this year was \$41.7 million.
- Federal and state governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$5.5 million.
- Net cost of governmental activities (\$34.7 million) was financed by general revenues, which are made up of primarily property and sales tax (\$16.3 million) and state aid (\$20.0 million). Investment earnings, gain on sale of property and miscellaneous sources accounted for \$2.2 million.

Business-type Activities

Revenues of the District's business-type activities were \$1,588,651 and expenses were \$1,567,680. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and sale of equipment.

The School Nutrition primary expenses are staff, food and commodities. The District's free and reduced participation increased during fiscal year, again due the employment climate of the District. The School Nutrition fund had a change in net assets of \$20,971 for fiscal year 2007.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2007

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$156,599 was a planned increase. The General Fund balance is reserved or designated to indicate that it is not available for spending because it has already been committed as follows:

- \$45,660 for Gifted and Talented Carryover
- \$6,877 for Salary Improvement Program
- \$8,605 for Additional Teacher Contract Day
- \$191 for Additional Salary, Professional Development
- \$423 for Beginning Administrator Mentoring Program

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Over the course of the year, the District amended its annual operating budget one time to reflect additional expenditures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and other governmental funds are not presented in the budgetary comparison on pages 35 and 36.

Legal Budgetary Highlights

The District's total actual receipts were \$1,471,014 more than the total budgeted receipts, a variance of 3.32% for the reasons noted above.

Total expenditures were approximately \$1.1 million less than total budgeted expenditures, a variance of 2.36%. Because of uncertainty with mandated changes by Department of Education, the budget was increased in certain areas, but not reduced in other areas.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2007

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District had invested \$41.1 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$3,034,048 from last year, primarily due to the construction and renovation projects in the District's ten-year construction plan. The District started construction on the North Hill construction project. Total depreciation expense for the year was \$1,630,797.

The following schedule presents capital asset balances net of depreciation for the fiscal year ended June 30, 2007 (in thousands).

		Governmental Activities		Business-type Activities		Total		% Change
		2006	2007	2006	2007	2006	2007	
Land and improvements	\$	2,492	2,884	—	—	2,492	2,884	15.73%
Buildings and improvements		34,326	33,466	—	—	34,326	33,466	-2.51%
Vehicles, furniture and equipment		2,579	2,786	103	138	2,682	2,924	9.02%
Construction in progress		—	1,839	—	—	—	1,839	0.00%
Total	\$	39,397	40,975	103	138	39,500	41,113	4.08%

Additional information on the District's capital assets can be found in Note 4 on page 31 to 32 of this report.

Debt Administration. At year-end, the District had \$18,045,155 in other long-term debt outstanding, of which \$2,387,637 is due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal year ended June 30, 2007.

		Amount		% Change
		2006	2007	
Revenue Bonds	\$	4,931,989	13,190,032	167.4%
Quality Zone Academy Bonds		668,000	668,000	0.0%
Revenue Bans		—	—	100.0%
Early Retirement		3,161,422	4,053,576	28.2%
Compensated Absences		132,241	133,547	1.0%
Total	\$	8,893,652	18,045,155	102.9%

State statutes currently limit the amount of general obligation debt a district may issue to 5% of its total assessed valuation. The current debt limitation for the District is \$62,747,537 which is more than the District's outstanding general obligation debt.

Additional information on the District's long-term debt can be found in Note 5 on page 33 of this report.

BURLINGTON COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

June 30, 2007

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of an existing circumstance that could affect its financial health in the future:

- The District issued \$8.5 million in revenue bonds on January 3, 2008 to finance capital facility construction on North Hill Elementary and Northwest Middle School.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Office, Burlington Community School District, 1429 West Avenue, Burlington, Iowa 52601.

BASIC FINANCIAL STATEMENTS

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 24,696,660	39,710	24,736,370
Receivables:			
Property tax:			
Delinquent	274,896	0	274,896
Succeeding year	11,986,815	0	11,986,815
Accounts	1,314,658	0	1,314,658
Due from other governments	1,198,392	0	1,198,392
Inventories	0	35,918	35,918
Capital assets, net of accumulated depreciation (Note 4)	40,974,693	137,768	41,112,461
TOTAL ASSETS	80,446,114	213,396	80,659,510
LIABILITIES			
Accounts payable	732,563	1,215	733,778
Contracts payable	18,759	0	18,759
Accrued interest payable	20,794	0	20,794
Salaries and benefits payable	3,717,151	45,186	3,762,337
Deferred revenue:			
Succeeding year property tax	11,986,815	0	11,986,815
Unearned revenue	0	12,728	12,728
Long-term liabilities (Note 5):			
Portion due within one year:			
Revenue bonds payable	1,800,319	0	1,800,319
Early retirement payable	453,771	0	453,771
Compensated absences payable	133,547	0	133,547
Portion due after one year:			
Revenue bonds payable	11,389,713	0	11,389,713
QZAB bonds payable	668,000	0	668,000
Early retirement payable	3,599,805	0	3,599,805
TOTAL LIABILITIES	34,521,237	59,129	34,580,366
NET ASSETS			
Invested in capital assets, net of related debt	35,348,046	137,768	35,485,814
Restricted for:			
Talented and gifted	45,660	0	45,660
Beginning teacher mentoring program	643	0	643
Salary improvement program	6,877	0	6,877
Additional teacher contract day	8,605	0	8,605
Additional salary, professional development	191	0	191
Beginning administrator mentoring program	423	0	423
Debt service	1,460,423	0	1,460,423
Capital projects	6,948,132	0	6,948,132
Other special revenue purposes	660,721	0	660,721
Unrestricted	1,445,156	16,499	1,461,655
TOTAL NET ASSETS	\$ 45,924,877	154,267	46,079,144

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 17,566,100	423,676	3,674,235	0	(13,468,189)	0
Special instruction	6,563,641	436,912	274,158	0	(5,852,571)	0
Other instruction	3,709,597	558,672	5,696	0	(3,145,229)	0
	27,839,338	1,419,260	3,954,089	0	(22,465,989)	0
Support services:						
Student services	1,259,690	0	0	0	(1,259,690)	0
Instructional staff services	988,652	0	0	0	(988,652)	0
Administration services	4,307,761	0	1,500	0	(4,306,261)	0
Operation and maintenance of plant services	2,844,544	0	0	0	(2,844,544)	0
Transportation services	943,562	4,566	40,438	0	(898,558)	0
	10,344,209	4,566	41,938	0	(10,297,705)	0
Non-instructional programs:						
Food service operations	18,014	0	0	0	(18,014)	0
Community service and education operations	11,956	0	0	0	(11,956)	0
Operation of non-instructional programs	104,448	0	49,879	0	(54,569)	0
	134,418	0	49,879	0	(84,539)	0
Other expenditures:						
Facilities acquisitions	813,047	0	0	9,652	(803,395)	0
Long-term debt interest	199,381	0	0	0	(199,381)	0
AEA flowthrough	1,481,857	0	1,481,857	0	0	0
Depreciation(unallocated)*	893,947	0	0	0	(893,947)	0
	3,388,232	0	1,481,857	9,652	(1,896,723)	0
Total governmental activities	41,706,197	1,423,826	5,527,763	9,652	(34,744,956)	0
Business-type activities:						
Support services:						
Administration services	24,609	0	0	0	0	(24,609)
Operation and maintenance of plant services	9,003	0	0	0	0	(9,003)
	33,612	0	0	0	0	(33,612)
Non-instructional programs:						
Nutrition services	1,534,068	557,784	1,027,996	0	0	51,712
	1,567,680	557,784	1,027,996	0	0	18,100
Total business-type activities						
Total	\$ 43,273,877	1,981,610	6,555,759	9,652	(34,744,956)	18,100
General Revenues:						
Local tax:						
General purposes					\$ 11,458,306	0
Capital projects					765,598	0
Local option sales and services tax					4,130,171	0
Unrestricted state grants					19,969,080	0
Unrestricted investment earnings					630,504	2,871
Other					1,585,663	0
Total general revenues					38,539,322	2,871
Changes in net assets					3,794,366	20,971
Net assets beginning of year					42,130,511	133,296
Net assets end of year					\$ 45,924,877	154,267

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Assets					
Cash and pooled investments	\$ 7,917,936	14,347,714	668,000	1,313,744	24,247,394
Receivables:					
Property tax					
Delinquent	236,719	0	0	38,177	274,896
Succeeding year	10,367,946	0	0	1,618,869	11,986,815
Accounts	3,070	1,306,788	0	4,800	1,314,658
Due from other governments	590,944	607,289	0	159	1,198,392
Total assets	\$ 19,116,615	16,261,791	668,000	2,975,749	39,022,155
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 326,288	275,442	0	130,833	732,563
Contracts payable	0	14,409	0	4,350	18,759
Salaries and benefits payable	3,717,151	0	0	0	3,717,151
Deferred revenue:					
Succeeding year property tax	10,367,946	0	0	1,618,869	11,986,815
Total liabilities	14,411,385	289,851	0	1,754,052	16,455,288
Fund balances:					
Reserved for:					
Talented and gifted	45,660	0	0	0	45,660
Beginning teacher mentoring program	643	0	0	0	643
Salary improvement program	6,877	0	0	0	6,877
Additional teacher contract day	8,605	0	0	0	8,605
Additional salary, professional development	191	0	0	0	191
Beginning administrator mentoring program	423	0	0	0	423
Debt service	0	792,423	668,000	0	1,460,423
Capital facility construction	0	8,231,385	0	0	8,231,385
Unreserved:					
Undesignated:					
General	4,642,831	0	0	0	4,642,831
Capital projects	0	6,948,132	0	0	6,948,132
Management levy	0	0	0	567,190	567,190
Physical plant and equipment levy	0	0	0	(6,214)	(6,214)
Other special revenue purposes	0	0	0	660,721	660,721
Total fund balances	4,705,230	15,971,940	668,000	1,221,697	22,566,867
Total liabilities and fund balances	\$ 19,116,615	16,261,791	668,000	2,975,749	39,022,155

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 18)	\$ 22,566,867
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	40,974,693
Blending of the Internal Service Fund to be reflected at an entity-wide basis.	449,266
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(20,794)
Long-term liabilities, including revenue bonds payable, QZAB bonds payable, early retirement payable and compensated absences, are not due and payable in the current period and, therefore, are not as reported liabilities in the governmental funds.	<u>(18,045,155)</u>
Net assets of governmental activites (page 16)	<u><u>\$ 45,924,877</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 10,506,517	4,130,171	0	1,717,387	16,354,075
Tuition	751,509	0	0	0	751,509
Other	537,136	300,525	3,578	799,672	1,640,911
State sources	23,425,277	0	0	1,782	23,427,059
Federal sources	1,985,958	0	0	0	1,985,958
Total revenues	37,206,397	4,430,696	3,578	2,518,841	44,159,512
Expenditures:					
Current:					
Instruction:					
Regular instruction	16,102,214	0	0	471,135	16,573,349
Special instruction	6,563,641	0	0	0	6,563,641
Other instruction	3,213,939	0	0	502,041	3,715,980
	25,879,794	0	0	973,176	26,852,970
Support services:					
Student services	1,234,218	0	0	7,643	1,241,861
Instructional staff services	976,989	0	0	5,051	982,040
Administration services	3,891,058	152,765	0	114,833	4,158,656
Operation and maintenance of plant services	2,827,460	0	0	97,192	2,924,652
Transportation services	749,377	0	0	194,424	943,801
	9,679,102	152,765	0	419,143	10,251,010
Non-instructional programs:					
Food service operations	0	0	0	8,251	8,251
Community service and education operations	11,956	0	0	0	11,956
Operation of non-instructional programs	0	0	0	104,448	104,448
	11,956	0	0	112,699	124,655
Other expenditures:					
Facilities acquisitions	0	2,357,781	0	721,153	3,078,934
Long-term debt:					
Principal	0	0	1,741,957	0	1,741,957
Interest and fiscal charges	0	0	178,587	0	178,587
AEA flowthrough	1,481,857	0	0	0	1,481,857
	1,481,857	2,357,781	1,920,544	721,153	6,481,335
Total expenditures	37,052,709	2,510,546	1,920,544	2,226,171	43,709,970
Excess(deficiency) of revenues over(under) expenditures	153,688	1,920,150	(1,916,966)	292,670	449,542
Other financing sources(uses):					
Transfers in	0	3,578	2,171,044	0	2,174,622
Transfers out	0	(2,171,044)	(3,578)	0	(2,174,622)
Compensation for loss of capital assets	2,179	0	0	0	2,179
Sale of equipment	732	0	0	0	732
Sale of property	0	0	0	4,085	4,085
Issuance of revenue bonds	0	10,000,000	0	0	10,000,000
Total other financing sources(uses)	2,911	7,832,534	2,167,466	4,085	10,006,996
Net change in fund balance before extraordinary items	156,599	9,752,684	250,500	296,755	10,456,538
Extraordinary items(Note 10):					
Compensation for significant loss of fixed assets	0	1,336,719	0	0	1,336,719
Total extraordinary items	0	1,336,719	0	0	1,336,719
Net change in fund balances	156,599	11,089,403	250,500	296,755	11,793,257
Fund balance beginning of year	4,548,631	4,882,537	417,500	924,942	10,773,610
Fund balance end of year	\$ 4,705,230	15,971,940	668,000	1,221,697	22,566,867

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 20) \$ 11,793,257

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 3,189,795	
Depreciation expense	(1,608,966)	
Loss on disposal of capital assets	<u>(2,664)</u>	1,578,165

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year issues exceeded repayments as follows:

Issued	\$ (10,000,000)	
Repaid	<u>1,741,957</u>	(8,258,043)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ (892,154)	
Compensated absences	<u>(1,306)</u>	(893,460)

Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.

(404,759)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(20,794)

Changes in net assets of governmental activities (page 17)

\$ 3,794,366

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

	Business-type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
Assets		
Current assets:		
Cash and pooled investments	\$ 39,710	449,266
Inventories	35,918	0
Total current assets	75,628	449,266
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation (Note 4)	137,768	0
Total non-current assets	137,768	0
Total assets	213,396	449,266
Liabilities		
Current liabilities:		
Accounts payable	1,215	0
Salaries and benefits payable	45,186	0
Unearned revenue	12,728	0
Total liabilities	59,129	0
Net assets		
Investment in capital assets, net of related debt	137,768	0
Unrestricted	16,499	449,266
Total net assets	\$ 154,267	449,266

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 557,784	5,401,329
Total operating revenues	557,784	5,401,329
Operating expenses:		
Support services:		
Administration services:		
Salaries	13,194	0
Benefits	3,863	0
Services	2,531	0
Supplies	4,916	0
Other	105	0
	24,609	0
Operation and maintenance of plant services:		
Salaries	3,212	0
Services	5,791	0
	9,003	0
Total support services	33,612	0
Non-instructional programs:		
Food service operations:		
Salaries	537,101	0
Benefits	119,326	0
Services	249	0
Supplies	855,450	0
Depreciation	21,831	0
Other	111	0
	1,534,068	0
Other enterprise operations:		
Benefits	0	5,806,088
Total non-instructional programs	1,534,068	5,806,088
Total operating expenses	1,567,680	5,806,088
Operating loss	(1,009,896)	(404,759)
Non-operating revenues:		
State sources	20,962	0
Federal sources	1,007,034	0
Interest income	2,871	0
Total non-operating revenues	1,030,867	0
Changes in net assets	20,971	(404,759)
Net assets beginning of year	133,296	854,025
Net assets end of year	\$ 154,267	449,266

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	Business-type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 548,647	0
Cash received from miscellaneous operating activities	10,753	5,401,329
Cash payments to employees for services	(681,738)	(5,806,520)
Cash payments to suppliers for goods or services	(796,851)	0
Net cash used in operating activities	(919,189)	(405,191)
Cash flows from non-capital financing activities:		
State grants received	20,962	0
Federal grants received	918,933	0
Net cash provided by non-capital financing activities	939,895	0
Cash flows from capital activities:		
Acquisition of assets	(57,022)	0
Net cash used in capital activities	(57,022)	0
Cash flows from investing activities:		
Interest on investments	2,871	0
Net cash provided by investing activities	2,871	0
Net decrease in cash and cash equivalents	(33,445)	(405,191)
Cash and cash equivalents at beginning of year	73,155	854,457
Cash and cash equivalents at end of year	\$ 39,710	449,266
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,009,896)	(404,759)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Commodities consumed	88,101	0
Depreciation	21,831	0
Increase in inventories	(12,291)	0
Decrease in accounts receivable	858	0
Decrease in accounts payable	(3,508)	(432)
Decrease in salaries and benefits payable	(5,042)	0
Increase in unearned revenue	758	0
Net cash used in operating activities	\$ (919,189)	(405,191)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and investments	\$ 39,710	449,266

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$88,101.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

BURLINGTON COMMUNITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Burlington Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Burlington, Iowa, and the predominate agricultural territory in Des Moines County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Burlington Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Burlington Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Des Moines County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund, Self-funded Insurance. The School Nutrition Fund is used to account for the food service operations of the District. The Self-funded Insurance Fund is used to account for employee and board contributions for health insurance premiums.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and

reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used

to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Enterprise, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered

open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	<u>\$ 22,858,007</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

The District had investments in certificates of deposit that are stated at a fair value of \$49,933 and are classified as risk category 1, which are investments that are insured and registered and held by the District or its agent in the District's name.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 2,171,044
Capital Projects	Debt Service	<u>3,578</u>
Total		<u>\$ 2,174,622</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 465,407	57,022	4,749	517,680
Less accumulated depreciation	362,830	21,831	4,749	379,912
Business-type activities capital assets, net	<u>\$ 102,577</u>	<u>35,191</u>	<u>0</u>	<u>137,768</u>

	Balance Beginning of of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,178,894	426,791	0	2,605,685
Construction in progress	0	1,839,096	0	1,839,096
Total capital assets not being depreciated	<u>2,178,894</u>	<u>2,265,887</u>	<u>0</u>	<u>4,444,781</u>
Capital assets being depreciated:				
Buildings	43,401,414	0	0	43,401,414
Land improvements	686,290	0	0	686,290
Machinery and equipment	12,008,258	923,908	155,747	12,776,419
Total capital assets being depreciated	<u>56,095,962</u>	<u>923,908</u>	<u>155,747</u>	<u>56,864,123</u>
Less accumulated depreciation for:				
Buildings	9,076,000	859,633	0	9,935,633
Land improvements	373,228	34,314	0	407,542
Machinery and equipment	9,429,100	715,019	153,083	9,991,036
Total accumulated depreciation	<u>18,878,328</u>	<u>1,608,966</u>	<u>153,083</u>	<u>20,334,211</u>
Total capital assets being depreciated, net	<u>37,217,634</u>	<u>(685,058)</u>	<u>2,664</u>	<u>36,529,912</u>
Governmental activities capital assets, net	<u>\$ 39,396,528</u>	<u>1,580,829</u>	<u>2,664</u>	<u>40,974,693</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 412,827
Support services:	
Student	1,570
Administration	34,790
Operation and maintenance	102,595
Transportation	163,237
	<u>715,019</u>
Unallocated depreciation	<u>893,947</u>
Total governmental activities depreciation expense	<u>\$ 1,608,966</u>
Business-type activities:	
Food services	<u>\$ 21,831</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 4,931,989	10,000,000	1,741,957	13,190,032	1,800,319
QZAB Bonds	668,000	0	0	668,000	0
Early Retirement	3,161,422	1,218,591	326,437	4,053,576	453,771
Compensated Absences	132,241	133,547	132,241	133,547	133,547
Total	\$ 8,893,652	11,352,138	2,200,635	18,045,155	2,387,637

Revenue Bonds

Details of the District's June 30, 2007 revenue bonded indebtedness is as follows:

Year	Bond Issue of March 1, 2006			Bond Issue of May 15, 2007			Total		
Ending June 30,	Interest Rate	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2008	3.30 %	\$ 1,800,319	78,203	4.22 %	-	581,422	\$ 1,800,319	659,625	2,459,944
2009	3.30	1,389,713	97,382	4.22	10,000,000	211,000	11,389,713	308,382	11,698,095
Total		\$ 3,190,032	175,585		\$ 10,000,000	792,422	\$ 13,190,032	968,007	14,158,039

Quality Zone Academy Bonds (QZAB)

During the year ended June 30, 2003, the District issued zero interest Quality Zone Academy Bonds (QZAB). Annual transfers from the Capital Projects - Local Option Sales and Service Tax fund to a debt sinking fund will be made to pay the indebtedness due April 1, 2009, of \$668,000.

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and have completed five years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2007, totaled \$326,437.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the year ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The

District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$1,248,086, \$1,180,149 and \$1,167,300 respectively, equal to the required contributions for each year.

(7) Risk Management

Burlington Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,481,857 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Construction Commitment

The District has entered into contracts totaling \$10,070,481 for construction on the North Hill school building. As of June 30, 2007, costs of \$1,839,096 had been incurred against the contracts. The balance of \$8,231,385 remaining at June 30, 2007 will be paid as work on the project progresses.

(10) Extraordinary Item

On May 23, 2005, Horace Mann Middle School experienced a devastating fire. The District received insurance payments in the amount of \$1,336,719 for services and property replacement related to the fire during fiscal year 2007.

(11) Deficit Fund Balance

At June 30, 2007, there was a deficit fund balance in the Special Revenue Fund, Physical Plant and Equipment Levy Fund of \$6,214.

REQUIRED SUPPLEMENTARY INFORMATION

BURLINGTON COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Fund Types	Fund Type	Actual	Original	Final	
	Actual	Actual	Actual	Original	Final	
Revenues:						
Local sources	\$ 18,746,495	560,655	19,307,150	18,270,471	18,270,471	1,036,679
State sources	23,427,059	20,962	23,448,021	23,150,019	23,150,019	298,002
Federal sources	1,985,958	1,007,034	2,992,992	2,856,659	2,856,659	136,333
Total revenues	44,159,512	1,588,651	45,748,163	44,277,149	44,277,149	1,471,014
Expenditures:						
Instruction	26,852,970	0	26,852,970	27,057,360	27,057,361	204,391
Support services	10,251,010	33,612	10,284,622	9,651,142	10,401,142	116,520
Non-instructional programs	124,655	1,534,068	1,658,723	1,722,324	1,722,323	63,600
Other expenditures	6,481,335	0	6,481,335	5,441,956	7,191,956	710,621
Total expenditures	43,709,970	1,567,680	45,277,650	43,872,782	46,372,782	1,095,132
Excess(deficiency) of revenues over(under) expenditures	449,542	20,971	470,513	404,367	(2,095,633)	2,566,146
Other financing sources, net	11,343,715	0	11,343,715	1,570,000	1,570,000	9,773,715
Excess(deficiency) of revenues and other financing sources over(under) expenditures	11,793,257	20,971	11,814,228	1,974,367	(525,633)	12,339,861
Balance beginning of year	10,773,610	133,296	10,906,906	10,452,106	10,452,106	454,800
Balance end of year	\$ 22,566,867	154,267	22,721,134	12,426,473	9,926,473	12,794,661

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$2,500,000.

OTHER SUPPLEMENTARY INFORMATION

BURLINGTON COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2007

	Nonmajor Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds
Assets					
Cash and pooled investments	\$ 548,197	454,719	97,930	212,898	1,313,744
Receivables:					
Property tax					
Delinquent	21,445	0	16,732	0	38,177
Succeeding year	850,000	0	768,869	0	1,618,869
Accounts	0	117	3,833	850	4,800
Due from other governments	90	0	69	0	159
Total assets	\$ 1,419,732	454,836	887,433	213,748	2,975,749
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 2,542	6,717	120,428	1,146	130,833
Contracts payable	0	0	4,350	0	4,350
Deferred revenue:					
Succeeding year property tax	850,000	0	768,869	0	1,618,869
Total liabilities	852,542	6,717	893,647	1,146	1,754,052
Fund balances:					
Unreserved fund balances	567,190	448,119	(6,214)	212,602	1,221,697
	567,190	448,119	(6,214)	212,602	1,221,697
Total liabilities and fund balances	\$ 1,419,732	454,836	887,433	213,748	2,975,749

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds				
	Manage- ment	Student Activity	Physical Plant and Equipment Levy	Expendable Trust	Total Special Revenue Funds
Revenues:					
Local sources:					
Local tax	\$ 951,789	0	765,598	0	1,717,387
Other	80,997	563,371	13,435	141,869	799,672
State sources	1,011	0	771	0	1,782
Total revenues	1,033,797	563,371	779,804	141,869	2,518,841
Expenditures:					
Current:					
Instruction:					
Regular instruction	471,135	0	0	0	471,135
Other instruction	0	500,060	0	1,981	502,041
Support services:					
Student services	7,643	0	0	0	7,643
Instructional staff services	5,051	0	0	0	5,051
Administration services	112,665	543	0	1,625	114,833
Operation and maintenance of plant services	97,192	0	0	0	97,192
Transportation services	49,982	0	144,442	0	194,424
Non-instructional programs:					
Food service operations	8,251	0	0	0	8,251
Other enterprise operations	0	0	0	104,448	104,448
Other expenditures:					
Facilities acquisition	0	0	721,153	0	721,153
Total expenditures	751,919	500,603	865,595	108,054	2,226,171
Excess(deficiency) of revenues over(under) expenditures	281,878	62,768	(85,791)	33,815	292,670
Other financing sources:					
Sale of property	0	0	4,085	0	4,085
Total other financing sources	0	0	4,085	0	4,085
Net change in fund balances	281,878	62,768	(81,706)	33,815	296,755
Fund balances beginning of year	285,312	385,351	75,492	178,787	924,942
Fund balances end of year	\$ 567,190	448,119	(6,214)	212,602	1,221,697

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SYSTEM WIDE:				
BUSINESS ACCOUNTS	\$ 561	0	150	411
UNIVERSITY HIGH SCHOOL: ACTIVITY	1,466	252	149	1,569
SENIOR HIGH SCHOOL:				
ACTIVITY	5,654	4,063	4,383	5,334
DRAMA	161	3,437	3,598	0
CHORAL	7,974	39,965	47,939	0
PURPLE AIRES	582	2,689	0	3,271
ORCHESTRA/CHAMBER	5,641	886	1,069	5,458
BAND/COLOR GUARD	719	5,590	5,831	478
JAZZ BAND	75	200	270	5
MUSIC/DRAMA	2,498	2,302	199	4,601
MIDDLE SCHOOL ATHLETICS	6,340	14,565	12,708	8,197
FUTURE GRAYHOUND BBALL	5,097	0	0	5,097
GENERAL ATHLETICS	48,200	76,498	32,889	91,809
CHEERLEADERS	1,806	4,455	2,808	3,453
FUTURE GRAYHOUND SWIMMING	6,945	3,156	301	9,800
ART CLUB	6,249	4,188	4,491	5,946
KIWANIS KEY CLUB	26	2,833	2,397	462
PURPLE AND GRAY	1,742	460	1,927	275
INTERNATIONAL CLUB	20	499	519	0
PATHFINDER	26,346	31,928	34,025	24,249
OUTDOOR CLASSROOM	503	0	0	503
ECOLOGY CLUB	3,528	65	674	2,919
PAW PRINTS	713	0	713	0
SADD	2,554	0	341	2,213
VARSITY CLUB	5,867	22,842	19,650	9,059
SENIOR COLOR SEL	997	0	0	997
RENAISSANCE SCHOLARSHIP	35	0	0	35
RENAISSANCE STORE	0	31,595	22,808	8,787
CLASS OF 2006	13,332	0	13,319	13
CLASS OF 2007	0	15,835	1,803	14,032
CLASS OF 2008	78	6,492	2,074	4,496
CLASS OF 2009	41	77	0	118
CLASS OF 2010	0	43	0	43
NATIONAL HONOR SOCIETY	305	495	505	295
STUDENT COUNCIL	10,030	27,634	23,527	14,137
HERO	1,260	4,063	3,493	1,830
IA CLUB	414	0	0	414
TECHNOLOGY STUDENT	2,521	1,187	1,558	2,150

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
SENIOR HIGH (CONTINUED) :				
DECA	5,709	19,417	20,630	4,496
BPA CLUB	121	0	0	121
SELF-CONTAINED FUNDRAISER	208	818	432	594
BOYS ATHLETICS:				
BASKETBALL	28,024	14,553	9,735	32,842
FOOTBALL	18,762	46,834	36,135	29,461
SWIMMING	3,393	4,624	3,426	4,591
WRESTLING	3,686	9,693	8,850	4,529
TRACK	1,976	3,701	4,540	1,137
CROSS COUNTRY TRACK	1,833	2,542	2,939	1,436
BASEBALL	6,907	8,865	12,326	3,446
TENNIS	991	616	511	1,096
GOLF	1,403	1,175	1,711	867
SOCCER	2,874	4,349	6,141	1,082
GIRLS ATHLETICS:				
SOCCER	1,623	2,416	2,279	1,760
BASKETBALL	15,592	17,881	17,209	16,264
VOLLEYBALL	1,277	8,157	7,096	2,338
SWIMMING	5,184	4,253	2,120	7,317
SOFTBALL	4,252	20,543	23,030	1,765
TRACK	1,584	2,765	4,242	107
TENNIS	1,762	1,585	1,763	1,584
GOLF	2,192	1,850	1,657	2,385
TOTAL HIGH SCHOOL	271,952	480,616	408,208	344,360
JAMES MADISON	36,731	23,067	29,164	30,634
OAK STREET	36,572	17,251	21,862	31,961
CENTRAL AVENUE	1,528	0	0	1,528
CORSE	1,050	2,924	3,170	804
BLACK HAWK	4,444	6,234	3,890	6,788
GRIMES	8,570	14,218	11,677	11,111
NORTH HILL	1,060	3,055	2,487	1,628
PERKINS	730	0	0	730
SUNNYSIDE	15,033	11,691	15,463	11,261
Total	\$ 385,351	563,371	500,603	448,119

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
RESERVE FUND BALANCE	\$ 1,414	0	1,414	0
NEEDY STUDENT	1,291	3,263	2,335	2,219
MISC CENTRAL OFFICE	2,944	500	0	3,444
MARIE WEDERTZ MUSICAL	5,235	0	0	5,235
GUEGLER TRUST	1,253	1,500	0	2,753
JOHN H WITTE FOUNDATION	41,873	40,000	0	81,873
ED FOUNDATION SP. PROGRAM	7,277	23,184	21,539	8,922
EARLY RETIREE INSURANCE	3,072	32,354	31,757	3,669
CONNER TRUST FUND	247	1,011	1,000	258
ADM BLDG POP FUND	289	70	121	238
BLACK HAWK PTA	3,378	769	4,147	0
BLACK HAWK POP FUND	705	1,590	2,295	0
BH BOX TOP FUND	983	1,422	1,981	424
CORSE PTA	0	735	649	86
CORSE POP FUND	4,556	888	1,834	3,610
GRIMES LANDSCAPING	22	0	0	22
GRIMES TEACER ACT	467	0	380	87
GRIMES POP FUND	3,118	2,058	1,825	3,351
NORTH HILL PTA	333	854	1,187	0
NORTH HILL ART GRANT	50	0	0	50
NORTH HILL POP FUND	1,302	1,457	1,890	869
SUNNYSIDE EDUCATION	87	0	0	87
SUNNYSIDE POP FUND	4,387	4,426	3,516	5,297
JAMES MADISON POP FUND	1,236	2,346	2,679	903
HORACE MANN WORLD CLASS	402	0	0	402
OAK STREET POP FUND	2,601	1,252	2,213	1,640
BHS ADAMS EX SCH	29,363	1,223	1,453	29,133
BHS RENAISSANCE	9,161	315	7,476	2,000
BHS WAGNER MEMORIAL	1,211	125	0	1,336
BHS E BEDELL MEMORIAL	975	26	0	1,001
BHS HABERICHTER MEMORIAL	779	37	51	765
BHS F STIEFEL MEMORIAL	760	19	0	779
BHS MINORITY SCHOLARSHIP	4,179	705	1,095	3,789
BHS JOHANNSEN SCHOLARSHIP	7,316	1,125	599	7,842
BHS PERRINE SCHOLARSHIP	2,619	109	150	2,578
BHS W DUKE FIELD IMP	12,164	437	2,158	10,443
BHS EDUCATIONAL FOUNDATION	345	0	0	345
BHS GREYHOUND GOLD	0	5,364	600	4,764
BHS MUSIC PATRONS	900	5,567	4,910	1,557
BHS HUPPENBAUER SCIENCE	10,130	309	500	9,939

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, EXPENDABLE TRUST ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance End of Year	Revenues	Expendi- tures	Balance End of Year
BHS COOPER IND	1,491	0	0	1,491
BHS MUSIC CLASS 56	102	0	0	102
BHS ATH TRACK MAINTENANCE	3,447	89	0	3,536
BHS PROJECT CAP/HALL OF FAME	0	626	626	0
BHS ROD BELL ENRICHMENT	4,361	2,000	1,800	4,561
BHS POP FUND	962	4,114	3,874	1,202
Total	\$ 178,787	141,869	108,054	212,602

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 16,354,075	15,911,175	14,817,806	14,437,893
Tuition	751,509	724,325	629,047	400,164
Other	1,640,911	1,473,875	1,258,664	1,378,640
Intermediate sources	0	0	1,023	7,334
State sources	23,427,059	21,905,926	21,108,794	20,775,596
Federal sources	1,985,958	1,879,744	1,974,177	1,772,182
Total	<u>\$ 44,159,512</u>	<u>41,895,045</u>	<u>39,789,511</u>	<u>38,771,809</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 16,573,349	16,027,162	15,527,182	16,072,939
Special instruction	6,563,641	6,197,518	5,993,163	7,665,529
Other instruction	3,715,980	3,736,274	3,640,329	1,798,760
Support services:				
Student services	1,241,861	1,063,366	983,854	960,997
Instructional staff services	982,040	968,943	1,329,455	898,928
Administration services	4,158,656	3,606,556	2,960,920	2,488,485
Operation and maintenance of plant services	2,924,652	3,472,421	2,923,220	2,828,457
Transportation services	943,801	885,422	842,986	772,312
Other support services	0	0	0	188,782
Non-instructional programs	124,655	151,791	284,079	447,661
Other expenditures:				
Facilities acquisitions	3,078,934	2,763,922	4,000,995	8,400,264
Long-term debt:				
Principal	1,741,957	9,818,011	980,000	655,000
Interest and other charges	178,587	314,009	338,113	298,387
AEA flow-through	1,481,857	1,383,688	1,376,228	1,399,050
Total	<u>\$ 43,709,970</u>	<u>50,389,083</u>	<u>41,180,524</u>	<u>44,875,551</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION	10.550	FY 07	<u>88,101</u>
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 07	160,833
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 07	<u>758,100</u>
			<u>918,933</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	882-D	38,381
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	882-G	<u>1,117,306</u>
			<u>1,155,687</u>
INNOVATIVE EDUCATION PROGRAM STRATEGIES	84.298	FY 07	<u>8,338</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 07	<u>304,999</u>
SAFE AND DRUG FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 07	<u>28,960</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 06	9,126
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES(TITLE VIA)	84.369	FY 07	<u>29,764</u>
			<u>38,890</u>
ADVANCED PLACEMENT PROGRAM	84.330	FY 07	<u>530</u>
AREA EDUCATION AGENCY:			
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 07	<u>89,073</u>
SPECIAL EDUCATION - GRANTS TO STATES(PART B)	84.027	FY 07	<u>265,303</u>

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	EXPENDITURES
INDIRECT (CONTINUED) :			
AREA EDUCATION AGENCY (CONTINUED) :			
SPECIAL EDUCATION - PRESCHOOL GRANTS	84.173	FY 07	<u>1,350</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY (E2T2)	84.318	FY 07	<u>5,300</u>
SPECIAL EDUCATION - STATE PROGRAM IMPROVEMENT GRANTS FOR CHILDREN WITH DISABILITIES (2ND CHANCE READING)	84.323	FY 07	<u>7,305</u>
SPECIAL EDUCATION TECHNICAL ASSISTANCE AND DISSEMINATION TO IMPROVE SERVICES AND RESULTS FOR CHILDREN WITH DISABILITIES	84.326	FY 07	<u>200</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES: COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS (YOUTH RISK BEHAVIOR SURVEY)	93.938	FY 07	<u>500</u>
TOTAL			<u><u>\$ 2,913,469</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Burlington Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Burlington Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Burlington Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 18, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Burlington Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Burlington Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Burlington Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Burlington Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Burlington Community School District's financial statements that is more than inconsequential will not be prevented or detected by Burlington Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burlington Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Burlington Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Burlington Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Burlington Community School District and other parties to whom Burlington Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Burlington Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2008

NOLTE, CORNMAN & JOHNSON P.C.
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Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Burlington Community School District

Compliance

We have audited the compliance of Burlington Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Burlington Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Burlington Community School District's management. Our responsibility is to express an opinion on Burlington Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Burlington Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Burlington Community School District's compliance with those requirements.

In our opinion, Burlington Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Burlington Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Burlington Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Burlington Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Burlington Community School District and other parties to whom Burlington Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson P.C.", with a stylized flourish at the end.

NOLTE, CORNMAN & JOHNSON, P.C.

February 18, 2008

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over a major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Individual
 - CFDA Number 84.010 - Title I grants to Local Educational agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Burlington Community School District qualified as a low-risk auditee.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- II-A-07 Supporting Documents for Payments to Official - We noted during our audit a substitute official did not have a signed contract serving as proper support documentation for payment.

Recommendation - A copy of the contract made for each official should be used as the support for payment. The Central Office needs to maintain copies of supporting signed contracts for officials, including substitutes. The District should review procedures in place to ensure proper support documentation is maintained.

Response - Proper support documentation is required and will be maintained for Substitute officials.

Conclusion - Response accepted.

- II-B-07 Student Activity Fund - During our audit issues arose about the properness of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. This is not an appropriate fund to use for public tax funds, trust funds, state and federal grants or aids, textbook/library book fines, fees, rents, or sales, textbook/library book purchases, sales of school supplies, curricular activities, or any other revenues or expenditures more properly included in another fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). Fundraisers and donations made to the school should be recorded in the fund in which they could be expended from. A more specific example of these instances is as follows:

Library book purchases were recorded in the middle school and elementary Student Activity accounts. The library books need to be purchased from the General Fund because they are instructional in nature.

We also noted during our audit that the Student Activity Fund was purchasing testing supplies. These expenditures appeared to better accounted for in the General Fund

We also noted during our audit that the Student Activity Fund was purchasing coffee and bottled water. This account at the elementary appeared to be administrative in nature and should be closed and better handled in the General Fund.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. It would appear that some of the accounts appear to be more administratively maintained in nature, rather than maintained by a club or

organization. Therefore, they need to be corrected or transferred to the proper fund where these monies can be receipted and expended.

Response - Corrective transfers have been made. Administrators in charge of Student Activity Funds have been notified of improper expenditures.

Conclusion - Response accepted.

II-C-07 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be review every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - The Superintendent has directed that all board policies will be updated by June 30, 2008.

Conclusion - Response accepted.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

No matters were reported.

BURLINGTON COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

Part IV: Other Findings Related to Statutory Reporting

IV-A-07 Certified Budget - District disbursements for the year ended June 30, 2007, did not exceed the amount budgeted.

IV-B-07 Questionable Disbursements - We noted disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979. We noted during our audit the District purchased gift cards for perfect attendance for the summer school program. We also noted during our audit the District paid for a retiree dinner.

Recommendation - The District should adopt a public purpose board policy for documenting public purpose. The District should document paid bills that may be questioned if they meet public purpose guidelines documented in the board policy.

Response - The District will consult with legal counsel and develop a policy if required.

Conclusion - Response accepted.

IV-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-07 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ron Glasgow, Athletic Director Owner of Glasgow's Trophy Shop	Awards	\$1,921

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the athletic director do not appear to represent a conflict of interest.

IV-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.

IV-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.